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The Manufacturers Hanover
Financial Digest
Weekly Commentary, Selected Financial Data, and Business Indicators

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The Recovery . . .

The Commerce Department's recently released estimates of personal incomes by state show that in 1984—when inflation-adjusted gross national product expanded at its fastest clip in 33 years—every region of the U.S. enjoyed the benefits of the upturn in business activity, at least to some extent. For the nation as a whole, personal incomes grew 9.7 percent last year, while inflation, as measured by the price deflator for personal consumption expenditures, rose at a modest 3.2 percent pace. As a result, the U.S. enjoyed the strongest gain in purchasing power in two decades.

Rising employment was the primary fuel for the increase in personal incomes. Nonfarm industries added four million workers to their payrolls in 1984 and the average workweek of production workers in the private nonfarm sector climbed to the highest level since 1979. As the recovery broadened across a wide range of industries, even hard-hit farm and industrial states began to revive.

Take, for example, the Midwest. Devastated by the last recession and depressed conditions in the farming sector, the growth in the Plains region's incomes in 1983 trailed all other areas of the country. However, in 1984, the Plains states posted a gain in incomes of 11.3 percent—the strongest advance in the country (see table). Although the agricultural sector experienced only modest relief from several years of distress, subsidy payments from the government's Payment-In-Kind program boosted the region's farm incomes substantially. Moreover, the rebound in such key manufacturing industries as autos and machine tools, helped to fuel overall income growth. Iowa scored the fastest growth of all—both regionally and nationally—followed by South Dakota.

So, too, the Great Lakes region, the other major part of the Midwest, posted a gain in incomes above the national average, benefiting from a robust recovery in the automotive sector and in other durable goods manufacturing industries which are crucial to this region.

. . . Lifts Personal Incomes Nationwide . . .

In the Northeast, New England staged an impressive performance, hardly a surprising result, since the region also enjoyed the lowest unemployment rate in the country. New England's prosperity stems largely from a successful effort to transform the region's economic base from aging traditional manufacturing to the more diversified and growing high-tech and service-oriented industries. Recently, increased defense outlays and a capital spending boom have also contributed to New England's recovery. Electronics manufacturers were big winners as companies sought to modernize operations with the latest high-tech equipment. New Hampshire—which in 1984 posted the lowest unemployment rate in the nation of four percent—outperformed the other states of this region, leading with an income gain of 10.6 percent, followed by Massachusetts with a 10.5 percent advance.

Income growth in the Southeast region matched that of New England. The Southeast's income gain was led by the booming economy of Georgia.

TOTAL PERSONAL INCOMES
UNITED STATES AND REGIONS: 1984 vs. 1983
(billions of dollars)

	Total Personal Income		Percent Change	Percent of U.S. Total
	1983	1984	1984 vs. 1983	1984
United States	$2,734.5	$3,000.8	9.7%	100.0%
Plains	197.2	219.5	11.3	7.3
Great Lakes	478.7	527.6	10.2	17.6
New England	162.7	179.2	10.2	6.0
Southeast	561.6	618.8	10.2	20.6
Southwest	265.1	291.0	9.8	9.7
Far West	446.4	487.7	9.3	16.3
Middle Atlantic	544.4	592.3	8.8	19.7
Rocky Mountain	78.3	84.8	8.2	2.8

Source: U.S. Department of Commerce

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This state's income advanced by better than 12 percent, a result of strong employment gains in financial services, trade, construction and defense industries. Much of the region's strength also came from Florida, which accounted for more than one-fifth of the income generated in this 12-state region. The fast growing high-technology and defense sectors, combined with a booming tourist industry, powered the state's 11.3 percent increase in income. Electrical equipment and other high-tech industries buoyed income growth in North Carolina. In addition, the state's income was augmented by strong residential and business construction, which, in turn, helped its furniture, appliance and textile industries.

On the other hand, the lack of industrial diversification in the economies of Louisiana and West Virginia put a damper on these states' income growth. Louisiana's income posted one of the smallest gains in the nation, underscoring the state's dependence on the slumping energy sector. So, too, West Virginia's income grew only moderately as the state's coal mining industry remained stagnant for the third consecutive year. Not surprisingly, the state had the highest average unemployment rate of all 50 states last year—15.1 percent.

Soft natural resource prices also put a brake on income growth in the Rocky Mountain area—which posted the lowest income gain among the U.S. regions in 1984. This resulted from the slump in oil

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending	$ Change Since	
Reserve Bank Credit	6/5/85	Week Ago	Year Ago
U.S. Gov'ts and Agencies Owned Outright & RPs	173.644	+ 2.536	+24.208
Loans to Depository Inst.	1.861	+ .687	– 1.270
Float	.135	– .352	– .446
Total Reserve Bank Credit	187.242	+ 1.497	+12.941
Treasury Deposits with Federal Reserve Banks	2.400	– .845	– 2.304
Currency in Circulation	184.907	+ .940	+11.165
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	122.203	+ 1.875	+ 8.427
	6/5/85		
Member Bank Reserves:			
Total Reserves Held	40.592	– .132	+ 4.027
Excess (Deficiency)	.847	– .012	+ .361
Net Free Reserves	.243	+ .449	+ 2.811

		% Change Since	
Monetary Aggregates†		Three Months Ago*	Year Ago
M1 (5/27/85)	584.9	+ 8.6‡	+ 7.1‡
M2 (April '85)	2,427.7	+ 4.8	+ 8.3
M3 (April '85)	3,057.5	+ 4.9	+ 9.7
Domestic Nonfinancial Debt (4th Q'84)	5,970.8	+ 14.4	+ 13.6

†Seasonally adjusted.

* Seasonally adjusted annual rate.
‡ Four-week moving average.

New York Money Market

Offering Rates 6/7/85	3 Months	6 Months	1 Year
‡ U.S. Treasury Bills	7.05%	7.14%	7.31%
* Federal Agencies	7.30	7.40	7.75
* Municipal Notes—High Grade (46% Taxable Equivalent)	7.87	7.96	8.06
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market—Prime	7.30	7.40	7.75

‡ Finance Company Paper—Prime		‡* Bankers' Acceptances	
5- 14 days	7.40%	Jul.	7.40%
15- 29 days	7.40	Aug.	7.40
30- 59 days	7.35	Sep.	7.35
60- 89 days	7.35	Oct.	7.35
90-179 days	7.35	Nov.	7.35
180-239 days	7.30	Dec.	7.35
240-270 days	7.30		

‡ Industrial Paper—Prime			
30- 89 days	7.33%	†Federal Funds	
90-120 days	7.30	Effective Rate	7.60%

‡Discount basis. * Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	1st Q'85	$ 3,817	$ 3,759	$ 3,553
Gross National Product (1972 Dollars)*	1st Q'85	$ 1,665	$ 1,662	$ 1,611
Percent Change, Annual Rate	1st Q'85	0.7	4.3	10.1
Change in Consumer Prices*	Apr '85	4.8%	6.0%	4.8%
Change in Producer Prices*	Apr '85	3.6%	2.4%	0.0%
Civilian Employment (Thousands of Persons)†	May '85n	106,960	106,945	105,162
Unemployment as % of Civilian Labor Force†	May '85n	7.3%	7.3%	7.5%
Personal Income*	Apr '85	$ 3,174	$ 3,156	$ 2,969
Leading Indicators Composite Index (1967=100)†	Apr '85	167.4	167.7	168.1
Industrial Production Index (1967=100) †	Apr '85	165.4	165.8	162.1
Net Change in Consumer Installment Credit †	Mar '85	$ 8.34	$ 9.04	$ 5.93
U.S. Merchandise Trade Balance †	Apr '85	–$ 11.85	–$ 11.05	–$ 11.88
Plant and Equipment Expenditures*	2nd Q'85	$388.86(a)	$380.05(a)	$348.34
Private Housing Starts (Thousands of Units)*	Apr '85	1,913	1,883	1,949
New Construction Expenditures*	Apr '85n	$ 325.7	$ 322.4r	$ 308.6
Total Business Inventories †	Mar '85	$ 578.2	$ 578.9	$ 538.8
Total Business Sales †	Mar '85	$ 420.2	$ 418.7	$ 404.6

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. r-Revised. a-Anticipated.

and gas exploration and uranium mining. Yet, even here an 8.2 percent increase in incomes permitted a sizable gain in buying power.

. . . Yet Wide Differences Persist

Another way of comparing incomes in states and regions is to take into account population size—in other words, on a per capita basis. Here, there is even less uniformity, nationwide. Alaska, for example, can boast of the highest per capita income in the nation. At $17,155, it is $4,448, or 35 percent above the national average. No wonder Alaska attracted new residents and recorded the largest gain in population growth among all states. In 1984, the number of Alaska's residents increased by 4.4 percent, far outdistancing growth in such Sun Belt states as Arizona and Florida. Nevertheless, less than one-quarter of one percent of the U.S. population lives in Alaska, and it was the only state in the nation where per capita income declined in 1984—a result of both the slump in the energy sector and the strong population gain.

The least prosperous state in the nation was Mississippi. At $8,857 per person, its income was almost $4,000, or 30 percent below the national average. At the same low end of the spectrum was Utah, where per capita income was about $3,000, or 24 percent below the U.S. average. Interestingly, the gap between the highest and lowest per capita income states has not narrowed significantly in the last quarter of a century. H

Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Time Deposits of $100,000 or more Weekly Reporting Banks			
Nationwide (5/22/85)	156,051	+ 432	+ 4,325
New York City (5/29/85)	33,267	– 562	+ 599
Commercial Paper (5/29/85)	260,056	– 228	+45,337

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (5/22/85)	254,430	– 420	+ 11,600
New York City (5/29/85)	61,419	– 346	– 1,741

Total Loans and Leases Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (5/22/85)	673,886	– 5,238	+ 61,934
New York City (5/29/85)	145,853	– 2,204	+ 6,342

Financial Markets

	Friday 6/7/85	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	7.38%	+ .03	– 2.87
180-Day Bills†	7.63	+ .04	– 3.62
Longest Bills†	7.99	+ .06	– 4.01
Recent Issues:			
9⅛s 5/31/87	8.79	+ .13	
11¼s 3/31/88	9.49	– .06	
11¼s 5/15/95	10.19	– .08	
11¼s 2/15/15	10.53	– .04	
Municipals:			
Bond Buyer–20 Bond Index* (6/6/85)	8.60%	– .21	– 2.18
Blue List Total ($ Million)	$1,778	– $176	+ $ 642
30-Day Visible Supply ($ Million)	$3,520	– $216	+ $1,499
Total	$5,298	– $392	+ $2,141
Corporates:			
Moody's Aa Composite (6/6/85)	11.43%	– .33	– 2.91
30-Day Visible Supply ($ Million)	$ 978	+ $105	+ $ 718
Stocks:			
Dow-Jones Averages:			
Industrials	1,329.64	+ 14.23	+ 198.39
Transportation	659.83	+ 14.67	+ 182.16
Utilities	163.83	+ .51	+ 39.46
65 Stocks	548.10	+ 6.53	+ 108.28
Standard and Poor's 500 Stocks	189.68	+ .13	+ 34.51
N.Y.S.E. Composite Index	109.97	+ .34	+ 20.64
N.Y.S.E. Avg. Daily Vol. for Week (000's)	120,450	+12,892	+ 37,454

* 46% Taxable equivalent 15.90%.

† Bond equivalent.

International Rates

EURODOLLAR DEPOSIT RATES (bid)	Friday 6/7/85	Week Ago
Overnight	7.50%	7.50%
1 month	7.50	7.63
3 month	7.56	7.75
6 month	7.75	8.00
1 year	8.13	8.50
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 to 7 yrs.)	10.05%	10.15%
Long Term (7 to 15 yrs.)	10.55	10.65

FOREIGN EXCHANGE SPOT RATES New York Opening (6/7/85)	U.S. $ Equivalent	Currency Per U.S. $
Belgium	.01621	61.7000
Canada	.7297	1.3704
Denmark	.09070	11.0250
France	.1072	9.3325
Germany	.3266	3.0618
Italy	.0005119	1953.50
Japan	.004021	248.70
Mexico	.003711	269.50
Netherlands	.2898	3.4505
Switzerland	.3885	2.5740
U.K.	1.2730	.7855

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4520 EAST-WEST HWY., SUITE 800
WASHINGTON, DC 20014